

# kcmFlash

## Goods & Services Tax

March 17, 2023

### GST considerations for the Closing and Start of New Financial Year

#### Snapshot

- New document series for issuance of tax invoices, credit/debit notes, etc.
- Obtain/Renew LUT in case exports are being made without payment of taxes.
- E-Invoicing for taxpayers having turnover of more than Rs. 10 Crores made applicable from 1st October 2022 (Essential to check ATO during F.Y. 2022-23 for E-Invoice applicability from 1 April 2023, e-Invoicing was not applicable till F.Y. 2022-23).
- Reporting of HSN Code Based on Aggregate Total Turnover
- Update details for Importer Exporter Code
- Reconciliation of Turnover as per books and GSTR 1 and 3B
- Reconciliations of ITC as per books and 2A/2B
- Reversal of ITC in case of nonpayment to vendors within 180 days
- Reversal of ITC in case of exempted and taxable supplies
- Application for Composition Scheme
- Other Considerations

#### Activities relevant for the start of F.Y. 2023-24

##### New GST document series

- If a taxpayer wishes to change the series for invoicing or other documents issued under the GST law in the F.Y. 2023-24, the same can be done from April 01, 2023.
- While the taxpayer may continue with old invoice series, it is to be ensured that the invoice numbers of the old series are not repeated.

##### Letter of Undertaking

- The Letter of undertaking (LUT) is required to be obtained before issuance of invoice for zero-rated export supplies.
- LUT once obtained remains valid till the end of the financial year in which it is obtained.
- Hence, Letter of Undertaking (in form GST RFD -11) for F.Y. 2023-24 must be obtained for exporting goods or service or for making supplies to SEZ unit/ developer without payment of GST.

##### Mandatory E-Invoicing applicable from October 01, 2022, for taxpayers having turnover exceeding Rs. 10 Crores

- The E-Invoicing has been made applicable from 1st October 2022 in respect of the taxpayers having an aggregate turnover of more than Rs. 10 crores in any of the preceding financial years.
- In case where the taxpayers were not liable to comply with the requirement of e-invoicing till F.Y. 2022-23, such taxpayers must check their turnover during F.Y. 2022-23 to ascertain the applicability of e-invoicing from 1 April 2023.
- It is pertinent to note that ITC shall not be available to the recipient in case of failure on the part of the

suppliers to issue an e-invoice, wherever applicable. Hence, not only the suppliers, but the recipients should also undertake due diligence and carry out updation of their vendor master records.

### Reporting of HSN Code on based on Aggregate Turnover

The requirement of reporting the digits of HSN reporting is as follows:

| Sr. No. | Aggregate Turnover during Previous Financial Year | HSN Code requirement to Report |
|---------|---|--------------------------------|
| 1       | Up to 5 Crore                                     | Minimum 4 Digit                |
| 2       | More than 5 Crore                                 | Minimum 6 Digit                |

Thus, taxpayers should check the turnover of F.Y. 2022-23 and disclose the HSN digits as per the above table.

### Updating details of Importer Exporter Code

- All Importer Exporter Code (IEC) holders are required to update the details of IEC electronically every year between 1 April 2023 to 30 June 2023. In case there is no change in details, the existing details should have to be confirmed the online before the due date.
- If the said updation / confirmation is not done before the stipulated time limit of 30 June, the IEC shall be de-activated.

### Activities relevant for the closing of F.Y. 2022-23

#### Input Tax Credit ('ITC')

##### Reversal of ITC (Section 16 (4))

- If the recipient of goods/services does not make payment to supplier within 180 days from the date of invoice, the ITC in respect of such invoices shall have to be reversed in proportion to the payment outstanding. However, ITC of such transactions can be re-availed upon payment to the vendors.

- Ideally, the said activity of reversal of ITC has to be carried out on monthly basis. Nevertheless, considering the year end of F.Y. 2022-23 in the month of March 2023, it is advisable to review and calculate the same for the entire F.Y. 2022-23 and give the differential impact of the same in the GST returns for the month of March 2023 to be filed in the month of April 2023.

##### Reversal of ITC as per Rule 42

In case taxpayer is dealing into exempted as well as taxable supplies, the annual calculation for reversal of common ITC (after considering monthly reversal) on account of exempted supplies as per rule 42 of the CGST Rules, 2017 is required to be done and effect of any excess reversal or short reversal must be duly accounted for in GST returns for the month of March 2023.

##### Reconciliations

Following reconciliations should be made to ensure that details as per GST returns are matching with the books of accounts:

- Reconciliation between closing balance of Electronic Cash Ledger & and Electronic Credit Ledger with the relevant ledgers/GLs in the books of account.
- Reconciliation of ITC claimed as per Books vs GSTR 3B Vs GSTR 2A/2B (Consolidated for the year).
- All adjustments related to claims and/or reversals can be reported in the GST returns for the month of March 2023 (although the taxpayer has time up to October 2023, for which return will be filed by 20 November 2023) to give effect of such adjustments.

##### Composition scheme

- If a taxpayer wishes to opt in for the composition scheme, then he can apply via Form GST CMP – 02 on or before 31st March 2023.

- Similarly, taxpayers who wish to opt out from the composition scheme, can apply via Form GST CMP – 04 on or before 7th April 2023 and ITC claimed on inputs lying in form of Raw materials, WIP, finished goods stock & capital goods as on 31st March 2023 shall have to be reversed.

### Consideration of Aggregate Turnover of F.Y. 2022-23 for compliance of F.Y. 2023-24

- Various decision making and compliances under GST are dependent upon Aggregate Turnover during the previous year such as GST registration, opting for composition scheme, QRMP Schemes, filing of ITC-04, applicability of E-Invoicing, QR Code for B2C Supply and Rule 86B etc.
- Ascertaining the turnover for the F.Y. 2022-23 would help in determining the relevant provisions applicable from the start of new financial year i.e., April 01, 2023.

### Other Considerations

- Review the GST registration details and ensure that they are accurate and up to date. In case of any changes related to the registration certificate observed during the year, the same must be amended in the GST registration certificate.
- Issuance of Self-invoices and Payment voucher in respect of reverse charge supplies received from unregistered suppliers during the F.Y. 2022-23 may be reviewed and completed.
- Where GTA opts to pay GST under forward charge during F.Y.2023-24, the GTA service provider shall have to give a declaration as specified in Annexure V on or before 15 March 2023 and from April 2023 onwards, it will also have to mandatorily print declaration on the tax invoice issued to customers mentioning that the GTA service provider will pay GST under forward charge.
- Preparation for the upcoming financial year, including updating the accounting system.

This document is prepared exclusively for the benefit and use of member firms of KCM Network and their clients. This should not be used as a substitute for professional advice. Reasonable care has been taken for ensuring the accuracy and the authenticity of the contents of this alert. However, we do not take any responsibility for any error or omission contained therein on any account. It is recommended that the readers should take professional advice before acting on the same. For further analysis and discussion, you may please reach out to us.

## Locations

### Ahmedabad Arpit Jain

Level 11, Tower B,  
Ratnaakar Nine Square,  
Vastrapur,  
Ahmedabad - 380 015

Phone: + 91 79 4910 2200  
[arpit.jain@kcmeha.com](mailto:arpit.jain@kcmeha.com)

### Bengaluru Dhaval Trivedi

FF - 4/1, Rudra Chambers,  
4th main, Between 8<sup>th</sup> & 9<sup>th</sup>  
Cross Rd, Malleshwaram,  
Bengaluru - 560 003

Phone: +91 99983 24622  
[dhaval.trivedi@kcmeha.com](mailto:dhaval.trivedi@kcmeha.com)

### Mumbai Bhadresh Vyas

315, The Summit Business Bay,  
Nr. WEH Metro Station,  
Gundavali, Andheri East,  
Mumbai - 400 069

Phone: +91 22 2612 5834  
[bhadresh.vyas@kcmeha.com](mailto:bhadresh.vyas@kcmeha.com)

### Vadodara Milin Mehta

Meghdhanush,  
Race Course,  
Vadodara - 390 007

Phone: +91 265 2440 400  
[milin.mehta@kcmeha.com](mailto:milin.mehta@kcmeha.com)